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ABSTRACT

Attempts to resolve inequalities in the state's financing of education in the 1975 legislature were a failure because the groups behind the three advocacy positions (increase teacher salaries, increase funds for basic costs, and increase equalization) caused divisiveness that allowed erosion of the reform measures. The basic issues in late 1976 were essentially the same as those before the 1975 legislature--property tax equity, teacher salaries, enrichment equalization, and construction. If the finance dilemma is to be resolved, the legislature must either provide relief by having the state pick up an increased portion of the costs of education or the school budgets must be cut. The latter option would have dire economic consequences for the state. The school finance situation in Texas suffers from negative leadership. (Author/IRT)

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TEXAS SCHOOL FINANCE: PAST, PRESENT & FUTURE

by Dr. Jose A. Cardenas
Intercultural Development Research Association
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There are few phrases which produce as much satisfaction to the speaker and as much frustration to the listener as, "I told you so." For this reason we should refrain from following this theme in reviewing the school finance situation in Texas, though much of what is presented here has appeared consistently in past issues of the IDRA Newsletter. A review of past constraints impeding the resolution of the complex issues of quality and equality surrounding school finance reform in Texas is essential, however, if we are to get off dead center in the coming year.

Articles from newspapers throughout the State received at our IDRA offices, make it apparent that the State of Texas is in the midst of a taxpayer's revolt. In community after community property owners are protesting the doubling, tripling, and even quadrupling of property taxes. In the lead of such protests is the small property owner, unwilling to believe or accept the tax load being proposed upon his home.

Some articles focus on the increased tax rate, others on increased assessment ratios, and still others on increased appraisals. Some examine these in various combinations. The net result is increased taxes and an unbelievably heavy burden on the small property owner.

In a few communities defensive school superintendents and school boards are already pointing out to the protestors that there is a direct relationship between the property tax increases and the "no new state taxes" position advocated by Governor Dolph Briscoe and the leadership of Texas Legislature. As stated by the Alice ISD Superintendent to

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irate taxpayers, "Governor Briscoe's slogan of no new taxes for the state doesn't mean much except that all the local agencies have had to increase their taxes."

Though not all school superintendents have reached the same conclusion, it is doubtful that members of the Texas Association of School Administrators and school board members would again give the governor a standing ovation as they did when he spoke to them in San Antonio two years ago.

Past court decisions which classify school taxes as state taxes collected locally make the whole "no new taxes" issue a word game anyway.

A Review

A review of State action since the reversal of the Rodriguez case in the U. S. Supreme Court in March, 1973 shows that no action was taken in the financing of schools by the Texas Legislature meeting that year, other than organizing a variety of study projects which would present recommendations in 1975.

The 1975 Legislature convened with school finance being the most important and over-riding issue. Three distinct advocacy positions developed and continued throughout the session:

1. increased teacher salaries,
2. increased funds for basic costs, and
3. increased equalization.

Bills were submitted early in the session with redrafts at regular intervals which promoted the various advocacies. As usually happens to reform legislation, proposals were shot down by divisiveness and erosion. The once powerful Texas State Teachers Association appeared

more than willing to sacrifice everything in exchange for a salary increase. School administrators stood pat on basic cost increases, and reformers argued for the retention of equalization measures.

With this divisiveness all advocacies were easy prey for the erosion process. At each subcommittee meeting, in committee meetings, and in subsequent versions, original proposals were eroded down to mere concepts rather than realities.

All advocacies were short-changed. Teachers' salaries were substantially below the originally proposed level, and, along with the increases for basic costs, required over $300 million in local tax monies to meet school district expenses. School districts paying above the minimum have been hard pressed to meet the new obligation to the school foundation program and at the same time continue local salary increments. The $700 million in new state funds barely counterbalanced runaway utility and insurance costs. The equalization attempt amounted to trivial sums distributed to everyone, and with so many "save harmless" provisions, that the gap between rich and poor remained substantially the same.

Thus in late 1976 the school finance picture developing for the future seems surprisingly familiar. Teachers salaries, basic costs, and equalization again emerge as the basic issues.

Property Tax Equity

The 1975 legislation which changed criteria for determining local ability to support education from the invalid economic index to market values has produced a mess. Local market values produced by the MSA study are riddled with errors and preferential treatment. IDRA studies indicate discrepancies in 1045 out of the 1100 school district market

values used for determining 1975-76 and 1976-77 local fund assignments. Texas remains unique among the states by the absence of any state regulatory or supervising agency to monitor, develop uniformity, or audit local market value determinations. IDRA's Craig Foster was recently asked, "Who receives the most preferential treatment in determining the local share of education costs?" His immediate response was, "The liars."

The two-year effort by John Poerner's Governor's Office of Education Resources to produce equitable market values appears anything but promising. In the first place most of the time has been spent pursuing dead ends which at best could be called "imaginative" but which have not proved practical.

Second, the work of the Governor's Office has been cloaked in so much secrecy that Craig Foster has had to file suit under the Open Records Act in order to ascertain what is being done. This secrecy produces the easily recognized and familiar odor of an inevitable outcome: namely, regardless of the inadequacy of Poerner's findings and recommendations, it will be too late to do anything about it. Overburdened taxpayers can look forward to another long study before remedies are forthcoming. "Relief is just two years away."

Third, Poerner's press releases indicate he has failed to address the problems of validation. Self reports by each district are fine, except, "Maybe the other districts will hedge a little creating an imposition on us, so we should hedge a little too, just in case."

Fourth, and most unbelievable, John Poerner has indicated he is doing nothing about the validation of self reports by industry and business. This means that when the homeowner submits his rendition or when his home is appraised, all kinds of checks for error, and honesty,

will be conducted by the tax office -- size, location, square footage, and records of selling price of that home and similar homes.

However, when determining business and industry taxes, "We will rely on their conscience." Poerner's press release on this policy is an insult to each and every homeowner in the state. Businessmen and industrialists may have a conscience, but the inference that homeowners do not is degrading.

It appears that the taxpayer's protest is being carried out in the wrong place. Instead of holding the protest meeting at the school auditorium they should be holding it in Austin where the problem originates.

Teachers Salaries

By the end of the current school year teachers will be very much aware of the inadequacy of the 1975 salary schedule, so we can be assured that the questions will be on the legislative agenda in January, 1977. The over-riding question will be: Whether teachers address the other issues of basic costs and inequities or continue to follow the TSTA tunnel vision which so weakened their efforts in 1975? IDRA's main complaint is that the TSTA leadership continues to pursue the minimal salary issue without regard for inter-district inequalities. Not only does TSTA support a membership of "have" and "have not" teachers with salaries being determined by local school district wealth, but the TSTA position perpetuates the existence in Texas of a dual system of education in which, as documented by IDRA research, wealthy kids are taught by high-paid teachers with enormous resources, while poor and minority kids are taught by low-paid teachers with little, if any, resources.

The TSTA position that allows a teacher's worth to be dependent on

who they teach tends to erode the professionalism of the profession.

The question is: When will teacher groups in low wealth school districts wake up? It is disheartening to see these teachers banging their heads against brick walls all summer requesting salary increases from school districts on the brink of bankruptcy and then mailing their meager pay raises in the form of dues to the state organization which consistently advocates wealth discrimination.

Enrichment Equalization

The State Legislature adjourned in 1975 with a feeling that it had accomplished something in response to the Rodriguez principle of fiscal neutrality. For the first time in its history, the State had provided for some equalization in the amount of local enrichment or leeway funds which could be made available at the local level to supplement the State program. The rationale for enrichment is that if a school district wishes to have a program better than what is provided by the State, it should be allowed to do so by raising additional tax revenues locally and applying these funds to enrichment efforts.

No one really opposes the enrichment concept, and IDRA wishes all districts would do so. The problem is that some school districts are very wealthy, and by wishing an additional tax effort of a couple of pennies per $100 of market value they are able to produce thousands of dollars for the enrichment of their children's education. On the other hand, other school districts are very poor, and by wishing an additional tax effort of a dollar per $100 of market value, they are able to produce only pennies for the enrichment of their children's education. In fact, IDRA research showed that poor school districts make a higher tax effort in support of the basic educational program, thus the raising

of additional revenue may be either financially or legally prohibitive.

Under the enrichment equalization provision of 1975, the State allocates funds in order to supplement local tax revenues for enrichment in proportion to the amount raised locally and inverse proportion to the wealth of the district. The 1975 Legislation proved ineffective for three reasons. First, the total amount of money appropriated for enrichment ($50 million annually) was too small to make an impact on existing inequities. Second, provisions for participation were so liberal that almost everybody, including relatively wealthy districts, got a piece of the pie. In 1975-76, 655 districts were eligible for participation and these 655 districts enrolled 86% of the student population of the State. Third, allocations to school districts were exceedingly and disappointingly small. The most any district received was $44 per student and the average received was $23 per student. When one considers the fact that differences in spending between high and low wealth districts in the State were higher than $7,000, it is clear that little equalization occurred in 1975-76.

Construction

The most disappointing aspect of the 1975 Legislature was its failure to seriously consider a remedy for inequities in payment for construction and other capital outlay costs. In some states the state pays the entire cost of school construction. In others, state grants are made available or at least low cost loans are provided by the state. In still other states, the cost of construction is shared by the state and the local district as part of the foundation school program, with the state and local shares being the same as in other school operations costs.

In the State of Texas there is nothing. No state loans, no state grants, no state share. Nothing. All costs have to be borne by the local school district. The effect of this deficiency is two-fold: (1) Since property tax values for school districts vary per pupil from a four digit figure in some school districts to an eight digit figure in the wealthy districts, the amount of funds available for school construction ranges from millions in some districts down to virtually nothing in others: (2) The second effect is that all school construction in Texas is borne by the local property tax. With construction costs being what they are, it is no surprise that the homeowner is protesting.

Future Funding

The shoes are pinching. Not only is the foot getting bigger, but the shoe is getting smaller. Deterioration of central cities and increased exemptions present a narrower tax base, but the number of entities dependent on the local property tax has grown considerably. Health districts, community colleges, water districts, river authorities, municipal utility districts have joined state, county, city and school districts in squeezing dollars out of property taxes. Too many demands are being made at the local level, and coupled with no new state taxes and a reduction in the percentage of federal spending for education, the picture indeed looks gloomy.

It seems reasonable that if the present dilemma is to be resolved, one of two things is bound to happen. Either the 1977 session of the Texas Legislature provides relief by having the State pick up an increased portion of the costs of education including teacher salaries, basic costs, equalization and construction, or the school budget must be

trimmed.

The latter choice of expending less for education would be disastrous. Education has been the most important element for economic growth in this country. Technological, managerial and organizational advances in knowledge along with increases in the education of the labor force contributed 55% of the increase in the United States economic growth from 1929 to 1969. Not only are expenditures for education a necessary investment for economic mobility and quality of life, but a reduction in education would produce economic pandamonium in terms of unemployment, lack of productivity, health, welfare, crime-prevention and penal institutions.

Past inadequacies in education in Texas have already produced grave consequences in terms of a shortage of a skilled labor force, adult illiteracy, underachievement, unemployment and quality of life. Texas has earned its place as the state with the highest dropout rate in the country.

Leadership

Perhaps the saddest commentary on our State system of education is on leadership. A recent publication by the U. S. Commission on Civil Rights has cited the "negative quality of . . .education leadership" as a major hurdle to progress in desegregation efforts. The school finance situation in Texas suffers from the same negative leadership.

The 1977 session of the legislature will have an opportunity to remedy the existing problems. If history repeats itself and advocacy is tunnel-visioned, teachers will focus solely on salaries, administrators and board members will focus on basic costs, the disenfranchised will focus on equalization, the governor will focus on "no new state taxes,"

and children, their teachers and the small property taxpayer will pay the price. Half-truths, red herrings, and double talk from vested interests will dominate, and the problem will be extended indefinitely.

Joel Berke's analysis of reform school finance legislation in the various states, indicates that in each state where substantial reform occurred, it was championed by a dynamic state leader. Such leadership has not emerged in Texas and until it does, school finance legislative efforts will consist of bandaid approaches rather than a comprehensive, long range program for quality education.